

**CITY OF GOWRIE, IOWA**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND**  
**QUESTIONED COSTS**

**June 30, 2010**

## TABLE OF CONTENTS

	<b><u>Page</u></b>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-8
Basic Financial Statements:	<b><u>Exhibit</u></b>
Government-wide Financial Statement:	
Statement of Activities and Net Assets – Cash Basis	A 9-10
Governmental Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 11-12
Fiduciary Fund Financial Statements:	
Statement of Net Assets	C 13
Notes to Financial Statements	14-18
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds	19
Notes to Required Supplementary Information – Budgetary Reporting	20
Other Supplementary Information:	<b><u>Schedule</u></b>
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1 21
Schedule of Indebtedness	2 22
Bond and Note Maturities	3 23
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	24-25
Schedule of Findings and Questioned Costs	26-28

## OFFICIALS

NAME	TITLE	TERM EXPIRES
<b>(Before January 2010)</b>		
Dick Phillips	Mayor	December 2011
Gayle Redman	Council Member	December 2011
Dave Stokesbary	Council Member	December 2011
Bill Bush	Council Member	December 2009
Dean Summers	Council Member	December 2009
Ken Pedersen	Council Member	December 2009
<b>(After January 2010)</b>		
Dick Phillips	Mayor	December 2011
Gayle Redman	Council Member	December 2011
Dave Stokesbary	Council Member	December 2011
Bill Bush	Council Member	December 2013
Dean Summers	Council Member	December 2013
Jeff Peterson	Council Member	December 2013
Shelley Segebart	Clerk	Indefinite
Kevin Black	Treasurer	Indefinite
Johnson Law Firm	Attorney	Indefinite

**CITY OF GOWRIE, IOWA**



## **SCHNURR & COMPANY, LLP**

**Certified Public Accountants and Consultants**

### **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Gowrie, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Gowrie, Iowa's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2009.

The financial statements referred to above include only the primary government of the City of Gowrie, Iowa, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, which U.S. generally accepted accounting principles require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the cash basis financial position of the reporting entity of the City of Gowrie, Iowa as of June 30, 2010 and the changes in cash basis financial position for the year then ended in conformity with U. S. generally accepted accounting principles.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total balance at July 1, 2009, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Gowrie, Iowa as of June 30, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated March 18, 2011 on our consideration of the City of Gowrie, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 8 and 19 through 20 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gowrie, Iowa's basic financial statements. Other supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Scharr & Company, LLP*

Fort Dodge, Iowa  
March 18, 2011

## **CITY OF GOWRIE, IOWA**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

The City of Gowrie, Iowa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

#### **2010 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities totaled \$795,967. Property tax receipts totaled \$319,533.
- Disbursements of the City's governmental activities totaled \$744,690. Debt service disbursements were \$113,208.
- The City's total cash basis net assets increased 10%, or approximately \$51,000, from June 30, 2009 to June 30, 2010.

#### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

### BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

### REPORTING THE CITY'S FINANCIAL ACTIVITIES

#### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information that helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets contains the following kinds of funds:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

#### *Fund Financial Statements*

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

- 2) Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The required financial statement for the fiduciary fund is a statement of changes in fiduciary net assets-fiduciary funds.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$520,000 to \$571,000. The analysis that follows focuses on the changes in cash balance for governmental activities.

#### Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)

<b>Receipts and Transfers:</b>	
Program receipts:	
Charges for service	\$ 154
Operating grants, contributions and restricted interest	147
General receipts:	
Property tax	320
Local option sales tax	98
Unrestricted interest on investments	5
Other general receipts	70
Transfers, net	2
<b>Total receipts and transfers</b>	<b>796</b>
<b>Disbursements:</b>	
Public safety	106
Public works	292
Health and social services	81
Culture and recreation	108
General government	45
Debt service	113
<b>Total disbursements</b>	<b>745</b>
<b>Increase in cash basis net assets</b>	<b>51</b>
Cash basis net assets beginning of year	520
Cash basis net assets end of year	\$ 571

The City's total receipts for governmental activities were \$795,967. Included in this total were property tax receipts of \$319,533.

The cost of all governmental activities this year was \$744,690. Included in this total were debt services disbursements of \$113,208.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

### INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Gowrie completed the year, its governmental funds reported a combined fund balance of \$571,415, an increase of more than \$51,000 above last year's total of \$520,138. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- ♦ The General Fund cash balance increased \$58,854 from the prior year to \$240,923. The increase was due to receiving more receipts than disbursements.
- ♦ The Capital Projects Fund cash balance has no change during the year.
- ♦ The Debt Service Fund cash balance decreased by \$130 to \$53,868 during the fiscal year.

### BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 17, 2010 and resulted in an increase in operating disbursements of approximately \$12,549. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$19,074 more than budgeted. This was primarily due to the City receiving more in intergovernmental and charges for services receipts than anticipated.

The City's disbursements were \$51,286 less than budgeted. This was primarily due to a decrease in culture and recreation and in capital projects cost.

### DEBT ADMINISTRATION

At June 30, 2010, the City had approximately \$511,000 in bonds and other long-term debt, as shown below:

	2010
General obligation bonds	\$ 495
Bank loan	16
	<u>\$ 511</u>

Debt decreased as a result of continuing payments on the general obligation bonds and the bank loan.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$511,000 is below its constitutional debt limit of \$1,013,684.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Shelley Segebart, City Clerk, 12006 Market Street, Gowrie, Iowa 50543.

**CITY OF GOWRIE, IOWA**

## **BASIC FINANCIAL STATMENTS**

**CITY OF GOWRIE, IOWA**

**STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS**

**As of and for the Year Ended June 30, 2010**

		<b>Program Receipts</b>	
		<b>Charges for</b>	<b>Operating Grants, Contributions and Restricted Interest</b>
	<b>Disbursements</b>	<b>Service</b>	
<b>Functions/Programs:</b>			
Governmental activities:			
Public safety	\$ 105,969	\$ 1,963	\$ 16,774
Public works	291,949	11,366	87,354
Health and social services	81,576	83,294	42,119
Culture and recreation	106,362	32,856	19,654
General government	45,626	4,499	3,941
Debt service	113,208	-	-
<b>Total governmental activities</b>	<b>\$ 744,690</b>	<b>\$ 133,978</b>	<b>\$ 169,842</b>

**General Receipts:**

Property and other city tax levied for:

    General purposes

    Debt service

Local option sales tax

Unrestricted interest on investments

Miscellaneous

**Total general receipts**

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

**Exhibit A**

		<b>Net (Disbursements) Receipts and Changes in Cash Basis Net Assets</b>
<b>Capital Grants, Contributions and Restricted Interest</b>		<b>Governmental Activities</b>
\$ -	\$	(87,232)
-		(193,229)
-		43,837
-		(53,852)
-		(37,186)
-		(113,208)
<u>\$ -</u>		<u>(440,870)</u>

204,166
119,364
98,602
32,654
37,361
<u>492,147</u>
51,277
<u>520,138</u>
<u>\$ 571,415</u>

(Continued on next page)

**CITY OF GOWRIE**

**STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS**

**As of and for the Year Ended June 30, 2010**

---

		<hr/> <b>Program Receipts</b> <hr/>	
		<b>Charges for</b>	<b>Operating</b>
		<b>Service</b>	<b>Grants,</b>
			<b>Contributions</b>
			<b>and Restricted</b>
			<b>Interest</b>
	<b>Disbursements</b>		
<hr/>			
<b>Cash Basis Net Assets</b>			
Restricted:			
Streets			
Debt service			
Other purposes			
Unrestricted			
<b>Total cash basis net assets</b>			

See notes to financial statements.



**Exhibit A**  
**(Continued)**

	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets
Capital Grants, Contributions and Restricted Interest	Governmental Activities
	\$ 33,028
	53,868
	175,263
	309,256
	<u>\$ 571,415</u>

**CITY OF GOWRIE, IOWA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH BALANCES -- GOVERNMENTAL FUNDS**

**As of and for the Year Ended June 30, 2010**

		<b>Capital Projects</b>	
	<b>General</b>	<b>Storm Sewer</b>	<b>Road Use Tax</b>
Receipts:			
Property tax	\$ 163,251	\$ -	\$ -
Other city tax	-	-	-
Licenses and permits	1,813	-	-
Use of money and property	3,571	-	-
Intergovernmental	33,625	-	91,753
Charges for services	70,537	-	-
Special assessments	2,123	-	-
Miscellaneous	67,420	-	-
<b>Total receipts</b>	<b>342,340</b>	<b>-</b>	<b>91,753</b>
Disbursements:			
Operating:			
Public safety	91,412	-	-
Public works	56,713	-	88,634
Health and social services	-	-	-
Culture and recreation	94,215	-	-
General government	42,864	-	-
Debt service	-	-	-
<b>Total disbursements</b>	<b>285,204</b>	<b>-</b>	<b>88,634</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>57,136</b>	<b>-</b>	<b>3,119</b>
Cash balances beginning of year	182,069	68,333	29,909
Cash balances end of year	\$ 239,205	\$ 68,333	\$ 33,028

---

**Special Revenue**


---

<b>Local Option Sales Tax</b>	<b>Congregate Meals</b>	<b>Debt Service</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
\$ -	\$ -	\$ 112,284	\$ 66,357	\$ 341,892
98,602	-	-	-	98,602
-	-	-	-	1,813
-	-	794	543	4,908
-	-	-	-	125,378
-	-	-	-	70,537
-	-	-	-	2,123
-	83,294	-	-	150,714
98,602	83,294	113,078	66,900	795,967
-	-	-	14,557	105,969
122,635	-	-	23,967	291,949
-	81,576	-	-	81,576
-	-	-	12,147	106,362
-	-	-	2,762	45,626
-	-	113,208	-	113,208
122,635	81,576	113,208	53,433	744,690
(24,033)	1,718	(130)	13,467	51,277
154,709	(3,409)	53,998	34,529	520,138
\$ 130,676	\$ (1,691)	\$ 53,868	\$ 47,996	\$ 571,415

(Continued on next page)

**CITY OF GOWRIE, IOWA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH BALANCES -- GOVERNMENTAL FUNDS**

**As of and for the Year Ended June 30, 2010**

	<hr/> <b>Capital Projects</b> <hr/>		
	<b>General</b>	<b>Storm Sewer</b>	<b>Road Use Tax</b>
<hr/>			
<b>Cash Basis Fund Balances</b>			
Reserved:			
Debt service	\$ -	\$ -	\$ -
Unreserved:			
General fund	239,205	-	-
Special revenue funds	-	-	33,028
Capital projects fund	-	68,333	-
	<hr/>		
<b>Total cash basis fund balances</b>	<b>\$ 239,205</b>	<b>\$ 68,333</b>	<b>\$ 33,028</b>
	<hr/>		

See notes to financial statements.

---

**Special Revenue**

---

<b>Local Option Sales Tax</b>	<b>Congregate Meals</b>	<b>Debt Service</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
\$ -	\$ -	\$ 53,868	\$ -	\$ 53,868
-	-	-	-	239,205
130,676	(1,691)	-	47,996	210,009
-	-	-	-	68,333
\$ 130,676	\$ (1,691)	\$ 53,868	\$ 47,996	\$ 571,415

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS --  
FIDUCIARY FUNDS****As of and for the Year Ended June 30, 2010**

	<b>Larson Trust Fund</b>
Additions:	
Interest	<u>\$ 4,436</u>
<b>Total additions</b>	<u>4,436</u>
Deductions:	
Scholarships	<u>4,436</u>
<b>Total deductions</b>	<u>4,436</u>
<b>Change in net assets</b>	-
Net assets beginning of the year	<u>200,000</u>
Net assets end of the year	<u><u>\$ 200,000</u></u>
See notes to financial statements.	

## CITY OF GOWRIE

### NOTES TO FINANCIAL STATEMENTS

---

#### (1) Summary of Significant Accounting Policies

The City of Gowrie is a political subdivision of the State of Iowa located in Webster County. It was first incorporated in 1871 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services.

##### A. Reporting Entity

For financial reporting purposes, City of Gowrie has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Gowrie (the primary government). The Gowrie Municipal Utilities (the Utility) is a component unit of the City of Gowrie because it is legally separate from the City but its operational or financial relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Utility is governed by a five-member board appointed by the City Council and the Utility's operating budget is subject to approval of the City Council. The financial statements and certain disclosures about the component unit are not included in this report because the component unit has been audited separately by another CPA firm and a report has been issued under separate cover. The audited financial statements are available at the Gowrie Municipal Utilities.

##### Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards: Webster County Joint E911 Service Board.

##### B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

## NOTES TO FINANCIAL STATEMENTS

---

### (1) Summary of Significant Accounting Policies (Continued)

#### B. Basis of Presentation (continued)

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

#### Capital Project:

The Capital Projects Fund is used to account for construction costs.

#### Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales Tax Fund is utilized to account for the local option sales tax receipts and disbursements.

The Congregate Meals Fund accounts for the operation of the City's congregate meal program.

#### Debt Service:

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City also reports fiduciary funds which focus on net assets and changes in net assets.



## NOTES TO FINANCIAL STATEMENTS

---

### (1) Summary of Significant Accounting Policies (Continued)

#### C. Measurement Focus and Basis of Accounting

City of Gowrie maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

#### D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the general public works and health and social services functions.

### (2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

There were no investments at or during the year ended June 30, 2010. During the year, the City invested its excess funds in certificates of deposit.

Interest Rate Risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

## NOTES TO FINANCIAL STATEMENTS

### (3) Loans and Notes Payable

Annual debt service requirements to maturity for general obligation notes and loans are as follows:

Year Ending June 30,	Bank Loans		General Obligation Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 15,812	\$ 198	\$ 90,000	\$ 19,633	\$ 105,812	\$ 19,831
2012	-	-	95,000	16,213	95,000	16,213
2013	-	-	100,000	12,508	100,000	12,508
2014 - 2018	-	-	210,000	12,863	210,000	12,863
2019 - 2023	-	-	-	-	-	-
2024 - 2028	-	-	-	-	-	-
2029 - 2033	-	-	-	-	-	-
2034 - 2038	-	-	-	-	-	-
	\$ 15,812	\$ 198	\$ 495,000	\$ 61,216	\$ 510,812	\$ 61,414

### (4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the year ended June 30, 2010 was \$11,096, equal to the required contributions for each year.

### (5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. Sick leave hours accumulate and are paid only when used. The City's approximate liability for earned vacation payment payable to employees at June 30, 2010 primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 1,750

This liability has been computed based on rates of pay in effect at June 30, 2010.

## NOTES TO FINANCIAL STATEMENTS

---

### **(6) Risk Management**

The City of Gowrie is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF GOWRIE, IOWA**

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN BALANCES -- BUDGET AND ACTUAL (CASH BASIS) --  
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS**

**Required Supplementary Information**

**Year Ended June 30, 2010**

	<b>Governmental Funds Actual</b>	<b>Budgeted Amounts</b>		<b>Final to Total Variance</b>
		<b>Original</b>	<b>Final</b>	
Receipts:				
Property tax	\$ 341,892	\$ 345,852	\$ 345,852	\$ (3,960)
Other city tax	98,602	77,673	163,181	(64,579)
Licenses and permits	1,813	1,250	1,250	563
Use of money and property	4,908	4,079	4,079	829
Intergovernmental	125,378	101,036	101,036	24,342
Charges for service	70,537	6,806	6,806	63,731
Special assessments	2,123	-	-	2,123
Miscellaneous	150,714	69,667	154,689	(3,975)
<b>Total receipts</b>	<b>795,967</b>	<b>606,363</b>	<b>776,893</b>	<b>19,074</b>
Disbursements:				
Public safety	105,969	103,546	106,350	(381)
Public works	291,949	143,621	177,327	114,622
Health and social services	81,576	-	64,000	17,576
Culture and recreation	106,362	116,225	119,820	(13,458)
General government	45,626	54,563	54,563	(8,937)
Debt service	113,208	113,408	113,408	(200)
Capital projects	-	75,000	160,508	(160,508)
<b>Total disbursements</b>	<b>744,690</b>	<b>606,363</b>	<b>795,976</b>	<b>(51,286)</b>
Excess (deficiency) of receipts over (under) disbursements	51,277	-	(19,083)	70,360
Balance beginning of year	520,138	589,334	589,334	(69,196)
Balance end of year	\$ 571,415	\$ 589,334	\$ 570,251	\$ 1,164

See accompanying independent auditor's report.

## **CITY OF GOWRIE, IOWA**

### **Notes to Required Supplementary Information – Budgetary Reporting**

---

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

## **OTHER SUPPLEMENTARY INFORMATION**

## CITY OF GOWRIE, IOWA

## Schedule 1

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH BALANCES -- NONMAJOR GOVERNMENTAL FUNDS  
As of and for the Year Ended June 30, 2010**

	<b>Special Revenue</b>
	<b>Employee Benefits</b>
Receipts:	
Property tax	\$ 66,357
Other city tax	-
Use of money and property	543
Intergovernmental	-
Miscellaneous	-
<b>Total receipts</b>	<b>66,900</b>
Disbursements:	
Operating:	
Public safety	14,557
Public works	23,967
Health and social services	-
Culture and recreation	12,147
General governments	2,762
<b>Total disbursements</b>	<b>53,433</b>
<b>Excess of receipts over disbursements</b>	<b>13,467</b>
Cash balances beginning of year	34,529
Cash balances end of year	<b>\$ 47,996</b>
<b>Cash Basis Fund Balances</b>	
Unreserved:	
Special revenue funds	\$ 47,996
<b>Total cash basis fund balances</b>	<b>\$ 47,996</b>

See accompanying independent auditor's report.



**CITY OF GOWRIE, IOWA**  
**SCHEDULE OF INDEBTEDNESS**  
**Year Ended June 30, 2010**

<b>Obligation</b>	<b>Date of Issue</b>	<b>Interest Rate</b>	<b>Amount Originally Issued</b>
General obligation notes:			
Storm sewer improvements	March 1, 2006	3.45-4.10%	\$ 875,000
Security Savings Bank loan:			
Tractor	October 20, 2002	3.75%	\$ 72,829

See accompanying independent auditor's report.

## Schedule 2

<b>Balance Beginning of Year</b>	<b>Issued During Year</b>	<b>Redeemed During Year</b>	<b>Balance End of Year</b>	<b>Interest Paid</b>	<b>Interest Due and Unpaid</b>
\$ 585,000	\$ -	\$ 90,000	\$ 495,000	\$ 23,008	\$ 9,816
\$ 24,889	\$ -	\$ 9,077	\$ 15,812	\$ 941	\$ 198

**CITY OF GOWRIE, IOWA**  
**Bond and Note Maturities**  
**June 30, 2010**

**Schedule 3**

Year Ending June 30,	General Obligation Notes		Security Savings Bank Loan		Total
	Storm Sewer Improvement		Issued		
	Issued		Issued		
	April 1, 2006		October 30, 2002		
	Interest Rates	Amount	Interest Rates	Amount	
2011	3.80%	\$ 90,000	3.75%	\$ 15,812	\$ 105,812
2012	3.90%	95,000	-	-	95,000
2013	3.95%	100,000	-	-	100,000
2014	4.05%	105,000	-	-	105,000
2015	4.10%	105,000	-	-	105,000
		\$ 495,000		\$ 15,812	\$ 510,812

See accompanying independent auditor's report.

**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**



## **SCHNURR & COMPANY, LLP**

**Certified Public Accountants and Consultants**

### **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of City of Gowrie, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated March 18, 2011. Our report expressed unqualified opinions on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Gowrie's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Gowrie's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Gowrie's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Gowrie's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10 and II-B-10 to be material weaknesses.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Gowrie's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Gowrie's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit City of Gowrie's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of City of Gowrie and other parties to whom City of Gowrie may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of City of Gowrie during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Schnarr & Company, LLP*

Fort Dodge, Iowa  
March 18, 2011

## CITY OF GOWRIE, IOWA

### Schedule of Findings and Questioned Costs Year Ended June 30, 2010

#### **Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) City of Gowrie, Iowa qualified as a low-risk auditee.

#### **Part II: Findings Related to the Financial Statements:**

##### INSTANCES OF NON-COMPLIANCE:

**No matters were noted.**

##### INTERNAL CONTROL DEFICIENCIES:

- II-A-10 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. We noted that most accounting functions are not entirely segregated.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response and Corrective Action Planned – We feel we are doing the best we can with the limited personnel we have.

Conclusion – Response accepted.

- II-B-10 Preparation of Financial Statements: Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with the cash basis of accounting. The City of Gowrie does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards NO. 112, *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate this matter to those charged with governance.

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. The outsourcing of these services is not unusual in an organization of your size.

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010  
(Continued)**

**Part II: Findings Related to the Financial Statements (Continued):**

INTERNAL CONTROL DEFICIENCIES (Continued)

II-B-10 Preparation of Financial Statements (Continued):

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, in accordance with the cash basis of accounting can be considered costly and ineffective. However, it is the responsibility of the City's management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the resources to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating on a going forward basis.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

**No matters were noted.**

**Part III: Other Findings Related to Required Statutory Reporting:**

III-A-10 Certified Budget – Disbursements during the year ended June 30, 2010 did not exceed the amounts budgeted.

III-B-10 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-10 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-10 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

III-E-10 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.



**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010  
(Continued)**

**Part III: Other Findings Related to Required Statutory Reporting (Continued):**

III-F-10    Deposits and Investments – No instances of non-compliance with the deposit and investments provision of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

III-G-10    2010 Financial Report – The 2010 City Annual Financial Report was filed with the Auditor of the State timely. However, we noted differences in the amounts reported.

Recommendation – The Financial report should be amended to agree with the audit report.

Response – We will amend the report.

Conclusion – Response Accepted.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Gowrie, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Schnarr & Company, LLP*

Fort Dodge, Iowa  
March 18, 2011